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How to choose and use a CPA: Questions and answers for business owners, taxpayers, and the general public

American Institute of Certified Public Accountants. Communications Division

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Here are just a few of the services a CPA may be able to offer you.

Services for business owners:

- ◆ Setting up accounting systems
- ◆ Helping you secure financing
- ◆ Analyzing operating results
- ◆ Providing management consulting services on such subjects as data processing systems
- ◆ Developing budgets and business forecasts
- ◆ Preparing tax returns
- ◆ Auditing, reviewing, or compiling financial statements
- ◆ Assessing benefit and compensation plans

Services for taxpayers:

- ◆ Suggesting tax strategies
- ◆ Preparing tax returns
- ◆ Minimizing tax liability
- ◆ Representing you before tax authorities

Services for the general public:

- ◆ Developing a personal financial plan
- ◆ Creating a family budget
- ◆ Planning for retirement
- ◆ Developing an estate plan
- ◆ Assessing insurance needs
- ◆ Advising you on divorce settlements
- ◆ Devising savings and investment strategies
- ◆ Helping you build college funds

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HOW TO CHOOSE AND USE A CPA:

**Questions and Answers
for Business Owners,
Taxpayers, and the
General Public**

Who needs a CPA?

If you believe that only the rich and famous need the services of a certified public accountant (CPA), think again.

CPAs act as advisers to individuals, businesses, financial institutions, nonprofit organizations, and government agencies on a wide range of financial matters. Today, many individuals turn to CPAs for help with both their tax preparation and personal financial planning. Increasingly, people rely on CPAs for assistance in building college funds, planning for retirement, and creating estate plans.

Business owners and managers of various for-profit and not-for-profit organizations have traditionally depended on CPAs for auditing services and advice on developing effective accounting systems, maximizing operating results, and resolving various management problems. In addition, CPAs assist businesses in designing and installing data processing and management information systems.

If you are interested in the services that CPAs provide, this short guide can offer you some basic tips on how to choose and use a CPA.

How do I find a CPA?

Referrals from friends, neighbors, and co-workers are one of the best ways of locating a CPA. Business people, especially those in your field, can also be of help. So can lawyers or bankers. CPAs are, of course, listed in phone directories. And most state CPA societies can offer various types of assistance in locating a CPA.

What qualifications should I look for?

Before you select a tax, accounting, or personal financial adviser, make sure you consider the following questions:

- ◆ Is the individual a certified public accountant?
- ◆ Is the CPA licensed to practice in your state?
- ◆ To what professional organizations does the CPA belong and how active is he or she in those organizations?
- ◆ Are your needs compatible with the CPA's personality and expertise?

Don't underestimate the importance of the CPA designation. Remember, those three letters are awarded only to those individuals who have passed a rigorous two-day uniform national examination.

In addition, CPAs are distinguished from other accountants by stringent state licensing requirements. Most states require CPAs to have at least a college degree or its equivalent, but several also require post-graduate work.

Membership in professional organizations is also an important qualification. For example, over 310,000 CPAs belong to the American Institute of Certified Public Accountants (AICPA). All AICPA members are governed by a code of professional ethics which is among the most exacting of any profession. What's more, their firms must undergo a review of their accounting and auditing practice once every three years.

AICPA members must also satisfy extensive continuing education requirements. And starting in the year 2000, new members will be required to have completed 150 semester-hours of higher education prior to joining the Institute.

Compatibility, the last qualification to look for in a CPA, is harder to define but is just as important as technical proficiency. Make sure that the CPA's personality and expertise match your needs.

Keep in mind that a long-term working relationship between you and your CPA can help you take an informed, consistent approach to personal financial and business problems—and may help you meet your financial goals.

What do CPAs charge?

CPAs normally base their fees on the time required to perform the services you request. There are no "fee schedules" common to the profession. Fees depend on the type of services you require, the prevailing costs in the community, the CPA's level of expertise, and the complexity of your work.

Talk frankly with your CPA about fees. Find out how much you will pay to have work performed by a staff accountant who is under the supervision of a CPA, a higher-level employee such as a supervisor, or perhaps even a partner of the firm.

How can you get the most value from a CPA's services?

Although all CPAs meet substantially the same education, training, and licensing requirements, they do not all provide the same range of services. Therefore, when looking for a CPA, you should analyze your current and future financial needs and select someone who can address your particular concerns.

CPAs themselves have some suggestions on how you can make the best use of accounting services and get the most value for your fee. Here are just a few of them:

- ◆ Be prepared to discuss your plans and objectives. CPAs are in the best position to advise you and serve your interests when they understand the goals you have set.
- ◆ Gather information about business or personal financial decisions under consideration so you can ask the CPA specific questions.
- ◆ Clearly explain what you expect from the CPA's services.
- ◆ Save yourself unnecessary fees by keeping good records and not using professional time for routine work.
- ◆ Keep your CPA informed of changes in your personal and professional life. A recent marriage or divorce, the birth of a child, a career change, or an especially generous bonus can all have a significant impact on your tax liability and personal financial goals.